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3-4(a)(1)*

**UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF CALIFORNIA  
SAN JOSE DIVISION**

APPLE INC., CISCO SYSTEMS, INC.,  
GOOGLE LLC, INTEL CORPORATION,  
EDWARDS LIFESCIENCES CORPORATION,  
and EDWARDS LIFESCIENCES LLC,

Plaintiffs,

v.

ANDREI IANCU, in his official capacity as  
Under Secretary of Commerce for Intellectual  
Property and Director, United States Patent and  
Trademark Office,

Defendant.

Case No. 20-cv-6128-EJD

**PLAINTIFFS' NOTICE OF MOTION AND  
MOTION FOR SUMMARY JUDGMENT**

Date: March 11, 2021

Time: 9:00 a.m.

Courtroom: Courtroom 4, 5th Floor

Judge: Hon. Edward J. Davila

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**NOTICE OF MOTION AND MOTION**

PLEASE TAKE NOTICE that on March 11, 2021, at 9:00 a.m., in Courtroom 4, 5th Floor, before the Honorable Edward J. Davila, plaintiffs Apple Inc. (“Apple”), Cisco Systems, Inc. (“Cisco”), Google LLC (“Google”), Intel Corporation (“Intel”), and Edwards Lifesciences Corporation and Edwards Lifesciences LLC (“Edwards”) will and hereby do move under Fed. R. Civ. P. 56 for summary judgment against Andrei Iancu, in his official capacity as Under Secretary of Commerce for Intellectual Property and Director, United States Patent and Trademark Office (“PTO”). Plaintiffs respectfully ask the Court to enter judgment in their favor (1) declaring the *NHK-Fintiv* rule (as defined herein) unlawful and setting it aside and (2) permanently enjoining defendant, his officers, agents, employees, assigns, and all persons acting in concert or participating with him from relying on the *NHK-Fintiv* rule or the non-statutory factors it incorporates to deny institution of inter partes review. This Motion will be based on this Notice of Motion; the Memorandum of Points and Authorities below; and such other written and oral argument as may be submitted.

## STATEMENT OF ISSUES

1. Whether the *NHK-Fintiv* rule (as defined herein) exceeds the Director’s statutory authority and violates the Leahy-Smith America Invents Act (“AIA”), 35 U.S.C. §§ 311-319, and the Administrative Procedure Act (“APA”), 5 U.S.C. § 706(2)(A), (C).

2. Whether the *NHK-Fintiv* rule is arbitrary and capricious and an abuse of discretion in violation of the APA, 5 U.S.C. § 706(2)(A).

3. Whether the Director exceeded his authority and violated the AIA, 35 U.S.C. §§ 2(b)(2), 316(a), and the APA, 5 U.S.C. § 706(2)(D), by adopting the *NHK-Fintiv* rule without notice-and-comment rulemaking.

## MEMORANDUM OF POINTS AND AUTHORITIES

## INTRODUCTION

Through the *NHK-Fintiv* rule, the Director of the PTO has unlawfully constricted access to inter partes review (“IPR”), an essential administrative pathway for efficiently challenging patents. The rule forces plaintiffs and other innovators accused of infringing patents that never should have issued to incur the substantial costs, delays, and burdens of litigation that Congress created IPR to



1 avoid. And it does so arbitrarily and inconsistently while promoting forum shopping by infringement  
2 plaintiffs. The Director had no power to adopt this rule. This Court’s intervention is required to hold  
3 the Director to Congress’s policy choices and to restore proper access to IPR.

4 IPR, a proceeding in which specialist administrative patent judges determine whether a  
5 previously issued patent’s claims are actually patentable, was a centerpiece of Congress’s effort to  
6 strengthen the U.S. patent system in 2011 through the AIA. Congress recognized that innovation is  
7 inhibited when dubious patents are deployed in litigation against technology inventors and  
8 developers. Congress found that existing procedures for challenging patents, including litigation, did  
9 not adequately guard against such abuses of the patent system. Congress accordingly created IPR to  
10 provide an efficient administrative alternative to litigation for “weed[ing] out bad patent claims” that  
11 never should have issued. *Thryv, Inc. v. Click-To-Call Techs., LP*, 140 S. Ct. 1367, 1374 (2020).

12 Congress contemplated that IPR would often proceed in parallel with infringement litigation  
13 where the accused infringer seeks IPR of patent claims asserted against it in the suit. Although  
14 parallel proceedings might duplicate some efforts, Congress concluded that any inefficiency was  
15 outweighed as long as the accused infringer seeks IPR within one year after being served with the  
16 infringement complaint—a judgment expressly stated in the AIA. The *NHK-Fintiv* rule, however,  
17 requires the Patent Trial and Appeal Board (“Board”) to consider denying an IPR petition (or  
18 “institution” of IPR, in PTO parlance) if parallel litigation involving the same patent is pending. The  
19 Board has relied on this rule to deny many timely IPR petitions—even ones that were meritorious and  
20 otherwise met all the AIA’s requirements—solely because of overlapping litigation. The rule thus  
21 significantly reduces the availability of IPR precisely where Congress intended it to be available as an  
22 alternative to litigation. As the Director has acknowledged, halting access to IPR “caus[es] serious  
23 harm to any party seeking to lawfully challenge patent claims via [IPR].” Dkt. No. 50 at 19.

24 The *NHK-Fintiv* rule is invalid and should be set aside. First, it violates the AIA, whose text,  
25 structure, and purpose show that Congress intended IPR to be available despite parallel infringement  
26 litigation so long as the IPR petition is filed within one year after the petitioner was served with the  
27 infringement complaint. Although the AIA explicitly grants the Director discretion to deny timely  
28 IPR petitions on certain grounds—including the pendency of related *administrative* proceedings—

1 none of those provisions relates to the pendency of a parallel *lawsuit*. To the contrary, the AIA  
2 explicitly allows—even encourages—accused infringers to petition for IPR anytime within one year  
3 after being served with an infringement complaint involving the same patent claims and to raise in  
4 IPR the same issues raised in defense of the infringement suit. Yet the *NHK-Fintiv* rule overrides  
5 that judgment, defeating the purpose of IPR as a streamlined and specialized mechanism for clearing  
6 away invalid patents without the cost, burden, and delay of litigation.

7 Moreover, the *NHK-Fintiv* rule is arbitrary and capricious. It requires the Board to speculate  
8 about the course of litigation, leading to irrational decisions as the Board relies on provisional trial  
9 dates that are often later rescheduled. The rule also incentivizes conduct by IPR petitioners and  
10 infringement plaintiffs that reduces efficiency—contrary to the agency’s professed goal. And the  
11 rule’s malleable factors invite inconsistent application and yield inconsistent outcomes. The agency  
12 has offered no reasoned basis to justify the rule in the face of these consequences.

13 Finally, even if the *NHK-Fintiv* rule were substantively valid, the rule is procedurally invalid.  
14 Both the AIA and the APA require the Director to use notice-and-comment rulemaking when  
15 adopting rules, but the Director adopted the *NHK-Fintiv* rule through an internal PTO process for  
16 designating Board decisions as “precedential”—*i.e.*, “binding” in all future IPR cases—that afforded  
17 no public notice or opportunity for public input.

18 Given the purely legal issues, no discovery is necessary to confirm the rule’s unlawfulness.  
19 And given the stakes for plaintiffs and the patent system, expeditious summary judgment is needed to  
20 ensure that the rule can no longer contravene congressional intent by restricting access to IPR. The  
21 Court should declare the *NHK-Fintiv* rule unlawful and set it aside, and permanently enjoin the  
22 Director, and through him the Board, from applying the rule or its non-statutory factors to deny IPR.

## 23 BACKGROUND

### 24 A. Congress Intended IPR To Provide An Efficient Path For Invalidating Bad 25 Patents Even When Parallel Litigation Is Pending

26 The U.S. patent system has long fueled American economic growth and innovation. The  
27 system’s success depends on both providing robust protections for meritorious patents and ensuring  
28 that dubious patents cannot be exploited in litigation to inhibit innovation. IPR plays a vital role in

1 that system by allowing any person, including an accused patent infringer, to ask the PTO to  
2 reconsider the patentability of a previously granted patent. *See* 35 U.S.C. § 311.<sup>1</sup>

3 Congress established IPR out of a “growing sense that questionable patents [we]re too easily  
4 obtained” and “too difficult to challenge” through existing procedures. H.R. Rep. No. 112-98, at 39-  
5 40 (2011) (“House Report”); *see SAS Inst. Inc. v. Iancu*, 138 S. Ct. 1348, 1353 (2018). IPR promotes  
6 “a more efficient and streamlined patent system” by providing a “cost effective alternativ[e] to  
7 litigation,” House Report 40, 48, that offers “the expertise of the Patent Office on questions of  
8 patentability,” 157 Cong. Rec. S1352 (daily ed. Mar. 8, 2011) (Sen. Udall), while “limit[ing]  
9 unnecessary and counterproductive litigation costs,” House Report at 40; *see id.* at 39-40 (discussing  
10 “focus[] on ... reducing unwarranted litigation costs”).

11 For example, whereas patent-validity issues in infringement suits are decided by lay jurors,  
12 IPRs are decided by administrative patent judges with “technical expertise and experience,” who  
13 “contribute to the public confidence by providing more consistent and higher quality final written  
14 decisions” on patentability. *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320, 1336 (Fed. Cir.  
15 2019); *see* § 6(a) (“administrative patent judges shall be persons of competent legal knowledge and  
16 scientific ability”). Unlike a general verdict, the Board’s final written decision facilitates more  
17 informed appellate review. IPR is also more streamlined than litigation: An IPR petitioner may  
18 challenge a patent “only” on limited grounds, § 311(b); discovery is limited, § 316(a)(5); 37 C.F.R.  
19 § 42.51; and strict deadlines generally result in resolution of IPR within 18 months after a petition is  
20 filed, §§ 314(b), 316(a)(11); 37 C.F.R. §§ 42.100, 42.107. And in IPR, questionable patent claims  
21 can be canceled if the petitioner proves unpatentability by a preponderance of the evidence, § 316(e),  
22 whereas in litigation questionable patents survive unless the defendant proves invalidity by clear and  
23 convincing evidence, *see Microsoft Corp. v. i4i Ltd. P’ship*, 564 U.S. 91, 95 (2011).

24 Congress expected that IPR would often proceed in parallel with litigation in which the same  
25 patent is at issue—particularly where an infringement defendant challenges the asserted patent  
26 through IPR. Indeed, IPR was “designed in large measure to simplify proceedings before the courts  
27

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28 <sup>1</sup> Unless otherwise noted, all subsequent statutory references are to Title 35.

1 and to give the courts the benefit of the expert agency’s full and focused consideration of the effect of  
2 prior art on patents being asserted in litigation.” *NFC Tech. LLC v. HTC Am., Inc.*, No. 2:13-cv-  
3 1058, 2015 WL 1069111, at \*4 (E.D. Tex. Mar. 11, 2015) (Bryson, J., sitting by designation).  
4 Several provisions of the AIA reflect that expectation. Most significantly, an infringement defendant  
5 may obtain IPR with regard to the patent claims asserted in the lawsuit so long as the IPR petition is  
6 filed within “1 year after the date on which the petitioner ... is served with a complaint alleging  
7 infringement of the patent,” § 315(b). And although the AIA bars IPR if the petitioner previously  
8 “filed a civil action challenging the validity of a [patent] claim,” that bar does not apply where the  
9 petitioner challenged the patent through a counterclaim in an infringement suit. § 315(a)(1), (3). No  
10 other statutory provision permits the PTO to deny an IPR petition based on a pending lawsuit.

11 **B. The *NHK* And *Fintiv* Decisions Articulated A Discretionary Standard For**  
12 **Denying IPR Petitions Based On Pending Parallel Litigation**

13 The AIA defines several conditions that must be met for the Director to grant an IPR petition,  
14 including filing deadlines and content requirements, *e.g.*, §§ 311(c)(1)-(2), 312(a)(1)-(5), 315(a)(1)-  
15 (2) & 315(b), and prohibits the Director from instituting IPR “unless” he finds “a reasonable  
16 likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the  
17 petition,” § 314(a). The statute also specifies grounds on which the Director may decide not to  
18 institute IPR even if the preconditions are met. For example, the Director may “take into account  
19 whether, and reject the petition ... because, the same or substantially the same prior art or arguments  
20 previously were presented to the [Patent] Office.” § 325(d). The Director has delegated to the Board  
21 the authority to institute IPR. 37 C.F.R. § 42.4(a); *see id.* §§ 42.2, 42.108.

22 For several years after the AIA took effect, the Board applied these statutory criteria, and  
23 others adopted through duly promulgated regulations, to grant or deny IPR petitions regardless of  
24 related litigation. When administrative proceedings coincided with parallel litigation, courts often  
25 stayed the litigation to ““effectuate[] the intent of the AIA by allowing the agency with expertise to  
26 have the first crack at cancelling any claims that should not have issued in the patents-in-suit before  
27 costly litigation continues.”” *Finjan, Inc. v. Symantec Corp.*, 139 F. Supp. 3d 1032, 1038 (N.D. Cal.  
28 2015); *see id.* at 1035 (recognizing ““liberal policy”” in favor of stays pending PTO proceedings).

1 Beginning in 2018, however, the Board articulated a new standard, not reflected in the AIA or  
2 any regulation, under which the Board may decline to institute IPR based on litigation over the  
3 validity of the same patent claims—even if the petition was timely under § 315(b). In *NHK Spring*  
4 *Co. v. Intri-Plex Technologies, Inc.*, the Board declared that “the advanced state of ... district court  
5 proceeding[s]” “weighs in favor of denying [IPR] under § 314(a).” No. IPR2018-00752, Paper 8, at  
6 20 (P.T.A.B. Sept. 12, 2018) (Am. Compl. Ex. A). There, the IPR petition challenged a patent that  
7 was also the subject of an infringement suit involving “the same prior art and arguments.” *Id.* The  
8 suit was “nearing its final stages,” with trial “set to begin” about six months before IPR would end.  
9 *Id.* The Board denied institution, concluding that IPR “would not be consistent with ‘an objective of  
10 the AIA ... to provide an effective and efficient alternative to district court litigation.’” *Id.*

11 In *Apple Inc. v. Fintiv, Inc.*, No. IPR2020-00019, Paper 11 (P.T.A.B. Mar. 20, 2020) (Am.  
12 Compl. Ex. B), the Board elaborated on how it would consider parallel litigation. There, Apple  
13 sought IPR of patent claims that had been asserted against it in an infringement suit. Apple filed the  
14 petition less than ten months after the suit began, well within § 315(b)’s deadline. Building on *NHK*,  
15 the Board said it would “weigh” six “factors” under § 314(a) in deciding whether to institute IPR  
16 when parallel litigation is pending “as part of a balanced assessment of all relevant circumstances of  
17 the case, including the merits,” to promote “system efficiency, fairness, and patent quality.” *Fintiv*,  
18 Paper 11 at 5 (quotation marks omitted). Those “factors,” none of which is in the AIA, are:

- 19 1. whether the court granted a stay or evidence exists that one may be granted if  
20 [an IPR] proceeding is instituted;
- 21 2. proximity of the court’s trial date to the Board’s projected statutory deadline  
22 for a final written decision;
- 23 3. investment in the parallel proceeding by the court and the parties;
- 24 4. overlap between issues raised in the petition and in the parallel proceeding;
- 25 5. whether the [IPR] petitioner and the defendant in the parallel proceeding are  
26 the same party; and
- 27 6. other circumstances that impact the Board’s exercise of discretion, including  
28 the merits [of the challenge to patentability].

*Id.* at 5-6. The *Fintiv* decision did not purport to “instruct [the Board] how to weigh the factors.”  
*Cisco Sys., Inc. v. Ramot at Tel Aviv Univ. Ltd.*, No. IPR2020-00122, 2020 WL 2511246, at \*5

1 (P.T.A.B. May 15, 2020) (Crumley, A.P.J., dissenting).

2 **C. The Director Adopted *NHK-Fintiv* As A Binding Rule Governing All Institution**  
3 **Decisions Without Notice-And-Comment Rulemaking**

4 “[B]y default,” the Board’s decisions have no precedential force in later proceedings. Patent  
5 Trial and Appeal Board, Standard Operating Procedure 2 (Rev. 10) (“SOP-2”), at 3, 8-9 (Sept. 20,  
6 2018).<sup>2</sup> However, the PTO has adopted operating procedures that permit the Director to designate  
7 some Board decisions as “precedential.” SOP-2 at 1-2, 8-12. Decisions designated as “precedential”  
8 are “binding” on the Board “in subsequent matters involving similar facts or issues.” *Id.* at 11.

9 Other than allowing members of the public to nominate Board decisions for precedential  
10 designation, SOP-2 at 9, the PTO’s designation procedure does not allow any opportunity for public  
11 comment. *Id.* at 8-11. Instead, a committee of PTO judges makes a recommendation, *id.* at 10, based  
12 on the issue’s importance and whether precedential status would “resolve conflicts between Board  
13 decisions and ... promote certainty and consistency among Board decisions,” *id.* at 3-4, 9. The  
14 Director then decides whether to designate the decision as precedential. *Id.* at 11. The Director may  
15 also designate a Board decision precedential “at any time, in his or her sole discretion.” *Id.* at 11 n.4.

16 Following this process, the Director designated *NHK* as precedential on May 7, 2019. *NHK*,  
17 Paper 8 at 1. And he designated *Fintiv* as precedential on May 5, 2020. *Fintiv*, Paper 11 at 1. By  
18 designating the decisions as precedential, the Director adopted them as a final rule (the “*NHK-Fintiv*  
19 rule”) that binds the Board and governs all future IPR institution decisions. SOP-2 at 11.

20 **D. The Board Has Applied The *NHK-Fintiv* Rule To Deny IPR Petitions In Many**  
21 **Cases Where Parallel Infringement Litigation Was Pending**

22 The Board has applied the *NHK-Fintiv* rule to deny numerous IPR petitions. Even before  
23 *Fintiv*, the Board repeatedly relied on *NHK* to deny institution in light of parallel litigation. For  
24 instance, in *Edwards Lifesciences Corp. v. Evalve, Inc.*, Nos. IPR2019-01479, 2020 WL 927867  
25 (P.T.A.B. Feb. 26, 2020) and IPR2019-01546, 2020 WL 1486766 (P.T.A.B. Mar. 19, 2020), the  
26 Board denied two IPR petitions Edwards had filed approximately six months after being served with  
27

28 <sup>2</sup> <https://www.uspto.gov/sites/default/files/documents/SOP2%20R10%20FINAL.pdf>.

1 an infringement complaint. The district court had set the trial date to occur before a final written  
2 decision would issue in IPR, and the Board speculated that the court intended to preserve that date.  
3 Two weeks after the Board’s denial, the district court vacated the trial date and eventually reset it for  
4 three months later before vacating it once again. Am. Compl. ¶ 56.

5 Similarly, in *Google LLC v. Uniloc 2017 LLC*, No. IPR2020-00115, 2020 WL 1523248  
6 (P.T.A.B. Mar. 27, 2020), Google timely filed an IPR petition less than nine months after being  
7 served with a related infringement complaint, but the Board denied institution under *NHK* based on  
8 the scheduled trial date. *Id.* at \*1, 4. Soon after Google’s request for rehearing was denied, the  
9 district court action was ordered to be transferred, and the trial date was vacated. *Uniloc 2017 LLC v.*  
10 *Google LLC*, No. 2:18-cv-00504, 2020 WL 3064460, at \*6 (E.D. Tex. June 8, 2020).

11 On the day *Fintiv* was designated precedential, the Board applied the *NHK-Fintiv* rule to deny  
12 Intel’s IPR petition in *Intel Corp. v. VLSI Technology LLC*, No. IPR2020-00106, 2020 WL 2201828  
13 (P.T.A.B. May 5, 2020). Although the petition was timely, the Board concluded that the “advanced  
14 stage” of related district court litigation, the overlap in the issues, and the timing of trial—which was  
15 then set for seven months before IPR would have ended but was subsequently postponed—meant that  
16 IPR would have been “an inefficient use of Board, party, and judicial resources.” *Id.* at \*6.

17 In *Fintiv* itself, the Board applied the newly precedential rule to deny Apple’s IPR petition,  
18 explaining: “trial is scheduled to begin two months before we would reach a final decision ... , the  
19 District Court has expended effort resolving substantive issues in the case, the identical claims are  
20 challenged based on the same prior art in both the Petition and in the District Court, and the  
21 defendant in District Court and the Petitioner here are the same party.” *Apple Inc. v. Fintiv, Inc.*, No.  
22 IPR2020-00019, 2020 WL 2486683, at \*3, \*7 (P.T.A.B. May 13, 2020). Trial was later rescheduled  
23 for after the deadline the Board would have had for issuing a final written decision in IPR.

24 The Board subsequently applied the *NHK-Fintiv* rule to deny IPR petitions filed five months  
25 after service of the infringement complaint in *Cisco Systems, Inc. v. Ramot at Tel Aviv University*  
26 *Ltd.*, 2020 WL 2511246; *id.*, No. IPR2020-00123, 2020 WL 2511247 (P.T.A.B. May 15, 2020).  
27 Based on the trial date, overlap in issues, and the absence of a stay in the district court, the Board  
28 assumed IPR would “duplicate effort” in the litigation, 2020 WL 2511246, at \*4—even though the

1 court had denied a stay “without prejudice” in light of its “established practice” to grant stays only  
2 *after* the Board institutes IPR, *id.* at \*3; *see* 2020 WL 2511247, at \*5. Trial was later rescheduled.

3 Since then, the Board has repeatedly acknowledged its obligation to apply the *NHK-Fintiv*  
4 rule and has done so in resolving numerous IPR petitions. *See, e.g., Apple Inc. v. Maxell, Ltd.*, No.  
5 IPR2020-00203, 2020 WL 3662522, at \*7 (P.T.A.B. July 6, 2020); *Supercell Oy v. GREE, Inc.*, No.  
6 IPR2020-00513, 2020 WL 3455515, at \*7 (P.T.A.B. June 24, 2020). In many cases, the Board has  
7 denied IPR petitions based solely on parallel litigation. *See* Am. Compl. ¶ 61. In other cases, the  
8 Board has granted IPR—but in doing so, has reached inconsistent and irrational results. *See infra* pp.  
9 21-23. Most recently, the Board denied an IPR petition filed *less than one month* after the district  
10 court complaint, notwithstanding that the Board found the petition’s merits “particularly strong.”  
11 *Philip Morris Prods., S.A. v. RAI Strategic Holdings, Inc.*, No. IPR-2020-00921, 2020 WL 6750120,  
12 at \*12 (P.T.A.B. Nov. 16, 2020). As a result, plaintiffs and other infringement defendants have been  
13 denied the efficient and specialized alternative to litigation that Congress intended IPR to provide.

#### 14 LEGAL STANDARD

15 Under the APA, a “reviewing court shall ... hold unlawful and set aside agency action” that is  
16 “arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law,” or “in excess  
17 of statutory jurisdiction, authority, or limitations, or short of statutory right.” 5 U.S.C. § 706(2)(A),  
18 (C). Moreover, even substantively valid action “shall” be “h[eld] unlawful and set aside” if it was  
19 taken “without observance of procedure required by law.” *Id.* § 706(2)(D). In an APA action,  
20 summary judgment “serves as the mechanism for deciding, as a matter of law, whether the agency  
21 action is supported by the administrative record and otherwise consistent with the APA standard of  
22 review.” *Gill v. Dep’t of Justice*, 246 F. Supp. 3d 1264, 1267-1268 (N.D. Cal. 2017), *aff’d*, 913 F.3d  
23 1179 (9th Cir. 2019). Because the court in an APA suit is “limited to reviewing the administrative  
24 record, there can be no genuine issue of material fact” for trial. *Alameda Health Sys. v. Ctrs. for*  
25 *Medicare & Medicaid Servs.*, 287 F. Supp. 3d 896, 910 (N.D. Cal. 2017).<sup>3</sup>

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26  
27 <sup>3</sup> There are no adjudicative facts to be found, and this motion can be resolved based on *NHK* (Paper  
28 [Footnote continued on next page])



1 **ARGUMENT**

2 **I. THE *NHK-FINTIV* RULE EXCEEDS THE DIRECTOR'S AUTHORITY AND VIOLATES THE AIA**

3 “[B]oth [an agency’s] power to act and how [it is] to act [are] authoritatively prescribed by  
4 Congress.” *City of Arlington v. FCC*, 569 U.S. 290, 297 (2013). Here, if an IPR petition is timely  
5 under § 315(b), nothing in the AIA authorizes the Director (or the Board as his delegate) to deny it  
6 based on overlap with a pending infringement suit. By permitting the Board to do so, the *NHK-Fintiv*  
7 rule contravenes the AIA, and the Director thus exceeded his statutory authority in adopting it.

8 **A. The AIA Precludes The Director From Denying IPR Petitions Based On Parallel**  
9 **Infringement Litigation That Has Been Pending For Less Than One Year**

10 The AIA’s text and structure make clear that Congress prohibited the Director from denying  
11 IPR petitions based on overlap with pending infringement litigation as long as the petition is filed  
12 within one year after service of the complaint.

13 The AIA sets forth detailed rules governing the determination whether to initiate IPR. These  
14 provisions define both mandatory conditions that must be met for IPR to be initiated and permissive  
15 factors the Director may rely on to decline IPR even where the prerequisites are met. *See, e.g.*,  
16 § 312(a)(1)-(5) (procedural requirements); § 311(c)(1) (barring IPR if petition was filed less than nine  
17 months after patent was granted); § 314(a) (Director “may not” institute IPR “unless” he finds “a  
18 reasonable likelihood that the petitioner would prevail”); § 325(d) (Director may deny IPR if “the  
19 same or substantially the same prior art or arguments previously were presented” to the PTO).

20 Of particular relevance, the AIA prohibits IPR if the petition “is filed more than 1 year after  
21

22 8) and *Fintiv* (Paper 11), which were attached to the complaint. Am. Compl. Exs. A, B. Plaintiffs  
23 have therefore not included a statement of undisputed material facts and believe a certified  
24 administrative record is unnecessary. *See, e.g., California v. U.S. Bureau of Land Mgmt.*, 277 F.  
25 Supp. 3d 1106, 1116 (N.D. Cal. 2017) (granting summary judgment in APA action without  
26 administrative record where motion was “limited to legal issues that do not depend on the  
27 administrative record, aside from the few key documents the parties cited in their motions, which the  
28 Defendants do not dispute are subject to judicial notice”).

1 the date on which the petitioner ... is served with a complaint alleging infringement of the patent.”  
2 § 315(b). This provision indicates that a timely IPR petition should not be denied because of parallel  
3 litigation. Congress specifically recognized that IPR might overlap with an infringement action and  
4 concluded that IPR can and should be available so long as the petition is filed within the one-year  
5 period. Statutorily defined time limits inherently “take[] account of delay,” and therefore  
6 “unreasonable, prejudicial delay” and other “case-specific circumstances”—like the *NHK-Fintiv*  
7 factors—“cannot be invoked to preclude adjudication of a claim ... brought within the [statutory]  
8 window.” *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 572 U.S. 663, 667, 677-680, 685 (2014); *see also*  
9 *SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC*, 137 S. Ct. 954, 959-960 (2017)  
10 (“applying laches within a limitations period specified by Congress would give judges a ‘legislation-  
11 overriding’ role that is beyond the Judiciary’s power”); *Holmberg v. Armbrrecht*, 327 U.S. 392, 395  
12 (1946) (“If Congress explicitly puts a limit upon the time for enforcing a right which it created, there  
13 is an end of the matter.”). “Where a statute’s language carries a plain meaning,” an agency’s duty “is  
14 to follow its commands as written, not to supplant those commands with others it may prefer.” *SAS*  
15 *Inst.*, 138 S. Ct. at 1355. Here, Congress’s command is clear: The Director may not deny an IPR  
16 petition based solely on parallel litigation; as long as the petition is timely, IPR remains available.

17 The AIA’s structure confirms this conclusion. Various provisions in the AIA specify how the  
18 Director may or must handle situations in which there are parallel proceedings. These provisions  
19 show that Congress carefully considered how to promote both efficiency and the purposes of IPR in  
20 the face of parallel proceedings and intended for IPR to be available even when parallel infringement  
21 litigation is pending. For example, the AIA explicitly gives the Director discretion to decide whether  
22 to institute IPR when there was a prior related *administrative* proceeding: “[T]he Director may take  
23 into account whether, and reject the petition ... because, the same or substantially the same prior art  
24 or arguments previously were presented to the [Patent] Office.” § 325(d). And if another matter  
25 involving the same patent is currently pending before the PTO during the pendency of IPR, “the  
26 Director may determine the manner” in which IPR may proceed, “including providing for stay,  
27 transfer, consolidation, or termination of any such matter or proceeding.” § 315(d). But no  
28 comparable provision grants the Director discretion over whether to proceed with IPR when there is a

1 parallel *lawsuit*. To the contrary, the AIA establishes specific rules governing parallel suits: The  
2 AIA prohibits institution of IPR if the petitioner has previously filed suit challenging the patent.  
3 § 315(a)(1). But if the IPR petitioner files such a lawsuit *after* petitioning for IPR, the AIA allows  
4 IPR and automatically stays the litigation. § 315(a)(2). And if an IPR petitioner has asserted a  
5 “counterclaim challenging the validity of a claim of a patent” in response to an infringement claim,  
6 the counterclaim does not trigger § 315(a)(1)’s bar on parallel civil actions. § 315(a)(3).

7 Congress thus contemplated that IPR and related litigation would proceed together and “knew  
8 how to draft the kind of statutory language that [the Director] seeks to read into” the AIA. *State*  
9 *Farm Fire & Cas. Co. v. United States ex rel. Rigsby*, 137 S. Ct. 436, 443-444 (2016). “[H]ad  
10 Congress intended to” grant the Director the discretion he has asserted in the *NHK-Fintiv* rule,  
11 Congress thus “would have said so.” *Id.*; see also *SAS Inst.*, 138 S. Ct. at 1356. Moreover, it would  
12 have made little sense for Congress to specifically direct how IPR and overlapping proceedings  
13 should be managed “if, in truth, the Director enjoyed the discretion” to deny IPR petitions based on  
14 parallel litigation. *SAS Inst.*, 138 S. Ct. at 1356. Rather, these provisions already account for  
15 administrative efficiency to the extent Congress deemed appropriate—including by specifically  
16 authorizing IPR where the petition is timely under § 315(b). The Director may not substitute his  
17 judgment for Congress’s by denying a timely IPR petition in light of a parallel infringement action.

#### 18 **B. The *NHK-Fintiv* Rule Thwarts The Purposes Of IPR**

19 The *NHK-Fintiv* rule also defeats the purposes of IPR, and Congress therefore could not have  
20 intended the Director to adopt it. Under the rule, substantive overlap between the issues raised in  
21 litigation and in a prospective IPR weighs against institution, and in practice, the Board has  
22 emphasized this factor in several decisions denying institution. See, e.g., *Apple Inc. v. Maxell, Ltd.*,  
23 No. IPR2020-00203, 2020 WL 3662522, at \*7 (P.T.A.B. July 6, 2020). But the central purpose of  
24 IPR is to provide a more efficient and specialized additional pathway for resolving the same issues  
25 that the challenger could otherwise have brought only in litigation. *Supra* pp. 3-5. By treating  
26 overlap as a reason to deny institution of IPR, the *NHK-Fintiv* rule contravenes that purpose.

27 To enable IPR to serve as a cost-effective alternative to litigation over invalid patents, see  
28 *supra* pp. 3-5, the AIA encourages IPR petitioners to assert potentially meritorious challenges in the

1 IPR petition, thereby inviting overlap between the IPR and the litigation in which the petitioner  
2 would assert those same challenges as defenses against (or counterclaims on) an infringement claim.  
3 In particular, by conditioning the availability of IPR upon showing a “reasonable likelihood that the  
4 petitioner would prevail with respect to at least 1 of the claims challenged in the petition,” § 314(a),  
5 the AIA encourages the petitioner to include in the petition its strongest grounds for challenging a  
6 patent claim—which of course can also be among the petitioner’s strongest defenses to infringement  
7 liability in litigation. At the same time, the AIA discourages splintering issues between IPR and  
8 litigation. For example, if an IPR petition has “result[ed] in a final written decision,” the AIA bars  
9 the petitioner from asserting in litigation any ground for invalidity “that the petitioner raised or  
10 reasonably could have raised during that inter partes review.” § 315(e)(2). Similarly, the AIA  
11 requires the Director to institute IPR for all patent claims challenged in an IPR petition or none at all.  
12 *SAS Inst.*, 138 S. Ct. at 1354-1358. And the AIA precludes patent owners from “offer[ing] differing  
13 interpretations of prior art in different proceedings,” House Report at 46, by permitting any statement  
14 made in an infringement suit by the patent owner to be cited in an IPR, § 301(a), (d).

15 Congress thus intended IPR as a mechanism for comprehensively resolving patentability  
16 issues that might otherwise arise in litigation. Yet the *NHK-Fintiv* rule encourages fragmentation of  
17 issues between IPR and litigation. To avoid denial of institution under the *NHK-Fintiv* rule, an IPR  
18 petitioner must minimize overlap between the petition and pending litigation. Indeed, the Board has  
19 encouraged IPR petitioners to stipulate that they would “not pursue [in litigation] any ground raised  
20 or that could have been reasonably raised in an IPR.” *Sand Revolution II, LLC v. Cont’l Intermodal*  
21 *Grp. – Trucking LLC*, No. IPR2019-01393, 2020 WL 3273334, at \*5 n.5 (P.T.A.B. June 16, 2020).  
22 That splintering of issues directly contradicts the AIA’s purpose.

23 The rule also yields absurd results Congress could not have intended. If an infringement  
24 defendant holds back an issue from its litigation defense to avoid overlap with IPR, the defendant will  
25 likely be deemed to have forfeited that defense in the litigation—indeed, that appears to be exactly  
26 what the Board believes petitioners should do. *Sand Revolution II*, 2020 WL 3273334, at \*5 n.5  
27 (stating that petitioner should have “expressly waived in the district court any overlapping  
28 patentability/invalidity defenses”). A defendant should not have to pay that price for the mere

1 possibility of persuading the Board to institute IPR. Yet if the defendant instead holds back an issue  
2 from its IPR petition, it will forgo invalidation of the patent in IPR on that ground and weaken the  
3 petition’s likelihood of success—reducing the chances of securing IPR at all. *See* § 314(a); *Fintiv*,  
4 Paper 11 at 14-16. Congress could not have intended such a self-defeating conception of IPR.

5 Similarly, the *NHK-Fintiv* rule undercuts the considered policy judgment underlying  
6 § 315(b)’s one-year period. Congress was aware that administrative proceedings and litigation  
7 concerning the same patent could proceed in parallel—a “possibility [that] has long been present in  
8 our patent system.” *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2146 (2016). Before the  
9 establishment of IPR, parties could challenge issued patents pursuant to a “similar procedure, known  
10 as ‘inter partes reexamination.’” *Id.* at 2137 (emphasis omitted); *see* § 311 *et seq.* (2006). The  
11 former statute took a strict approach to overlapping proceedings, prohibiting the agency from  
12 maintaining an inter partes reexamination after “a final decision” in litigation that the petitioner  
13 “ha[d] not sustained its burden of proving the invalidity” of the patent. § 317(b) (2006).

14 When Congress replaced inter partes reexamination with IPR in the AIA, *see Cuozzo*, 136 S.  
15 Ct. at 2137, it eliminated that provision. Rather than precluding or cutting off parallel proceedings,  
16 Congress chose to address the potential for “burdensome overlap between [IPR] and patent  
17 infringement litigation” in a different way: by setting a one-year deadline for the accused infringer to  
18 petition for IPR. *Thryv*, 140 S. Ct. at 1374-1375; *see* § 315(b). As the AIA’s co-sponsor explained,  
19 the AIA “coordinate[s]” IPR with litigation by “setting a time limit for seeking [IPR] if the petitioner  
20 ... is sued for infringement of the patent.” 157 Cong. Rec. S1041 (daily ed. Mar. 1, 2011) (Sen. Kyl).

21 The one-year period carefully balanced petitioners’ need for time to evaluate claims against  
22 the potential harm of excessive delay. If petitioners were allowed too much time to seek review, they  
23 could wait until the litigation had nearly ended before seeking IPR, using IPR “for purposes of  
24 harassment or delay,” 157 Cong. Rec. S1326 (daily ed. Mar. 7, 2011) (Sen. Sessions); *see* 157 Cong.  
25 Rec. S1041 (daily ed. Mar. 1, 2011) (Sen. Kyl). Such tactics would undermine IPR as a “quick and  
26 cost effective alternative[] to litigation,” House Report at 48, and might unfairly burden patent  
27 owners “who ha[d] already endured long challenges in court,” *Thryv*, 140 S. Ct. at 1379 (Gorsuch, J.,  
28 dissenting); *see also* 157 Cong. Rec. S1326 (daily ed. Mar. 7, 2011) (Sen. Sessions) (citing the “time

1 limit[] on starting an [IPR] when litigation is pending” as one of “many protections that were long  
2 sought by inventors and patent owners”). On the other hand, Congress recognized infringement  
3 defendants’ need for “a reasonable opportunity to identify and understand the patent claims that are  
4 relevant to the litigation” before having to file an IPR petition. 157 Cong. Rec. S5429 (daily ed. Sept.  
5 8, 2011) (Sen. Kyl). Otherwise, accused infringers would have to choose either to forgo IPR despite  
6 meritorious arguments or to file overbroad or underdeveloped IPR petitions before the issues in  
7 litigation had crystallized. Congress thus rejected a proposed requirement that IPR petitions be filed  
8 within just six months of an infringement suit’s start, opting instead for the longer one-year period to  
9 ensure sufficient time for infringement defendants to evaluate patent claims before seeking IPR. *Id.*;  
10 *see* S. 23, 112th Cong. Sec. 5(a), § 315(b) (2011) (engrossed bill setting six-month limit).

11 The Director, however, rejected Congress’s balance, instead asserting that instituting IPR  
12 when there is parallel litigation might be “unfair” to the patent owner. *Fintiv*, Paper 11 at 11. That  
13 judgment was not the agency’s to make. “Disagreeing with Congress’s expressly codified policy  
14 choices isn’t a luxury administrative agencies enjoy.” *Cent. United Life Ins. Co. v. Burwell*, 827 F.3d  
15 70, 73 (D.C. Cir. 2016). Congress weighed the interests of patent owners and accused infringers and  
16 determined that a one-year deadline struck the proper balance. The *NHK-Fintiv* rule disregards that  
17 decision, overrides the carefully calibrated one-year period, and defeats the point of IPR.

18 **C. Sections 314(a) And 316(b) Do Not Authorize The *NHK- Fintiv* Rule**

19 In *NHK* and *Fintiv*, the Board relied primarily on § 314(a) for the purported authority to deny  
20 institution based on overlap with parallel infringement litigation. *See NHK*, Paper 8 at 20; *Fintiv*,  
21 Paper 11 at 2-3, 5. Section 314(a) states that the Director “may not” institute IPR “unless” the  
22 Director finds that “there is a reasonable likelihood that the petitioner would prevail” on at least one  
23 claim. That provision does not confer unbounded discretion to deny IPR petitions based on factors  
24 that contradict the statute. Although the statutory term “may,” standing alone, sometimes connotes  
25 broad permission or discretion, as used in § 314(a) it clearly does not. The “may not ... unless”  
26 formulation in § 314(a) instead defines one condition that must be satisfied for institution; it implies  
27  
28

1 nothing about non-statutory conditions for denying IPR petitions.<sup>4</sup>

2 Citing § 314(a), the Supreme Court has observed that the “decision to deny a petition is a  
3 matter committed to the Patent Office’s discretion.” *Cuozzo*, 136 S. Ct. at 2140; *see also SAS Inst.*,  
4 138 S. Ct. at 1356. But that observation simply reflects that some provisions of the AIA explicitly  
5 give the Director specifically defined discretion relating to institution of IPR. Most notably, § 314(a)  
6 itself calls on the Director to make a discretionary judgment whether an IPR petition presents a  
7 “reasonable likelihood” of success. And the Director “may take into account” whether the same  
8 issues in an IPR petition were previously presented to the PTO in another proceeding. § 325(d).  
9 Those provisions do not confer the unbounded discretion that the *NHK-Fintiv* rule purports to invoke,  
10 and *Cuozzo* did not hold otherwise. The Court had no occasion in *Cuozzo* to delimit the Director’s  
11 discretion to deny institution because that case involved an instituted proceeding. 136 S. Ct. at 2138-  
12 2139. There is accordingly no reason to read *Cuozzo* to have endorsed a general discretionary denial  
13 power untethered to specific statutory authorities and limitations.

14 Whatever discretion the Director might have under § 314(a) cannot be exercised in a manner  
15 that contravenes the statute’s text, structure, and purpose. *See Util. Air Regulatory Grp. v. EPA*, 573  
16 U.S. 302, 321 (2014); *Tokyo Kikai Seisakusho, Ltd. v. United States*, 529 F.3d 1352, 1361 (Fed. Cir.  
17 2008). Even where a statute confers discretion, agencies must operate within the statute’s bounds.

18 \_\_\_\_\_  
19 <sup>4</sup> The Court owes no deference to the Director’s interpretation of the AIA. Deference is appropriate  
20 only if an agency interpretation was “promulgated in the exercise of” authority that “Congress  
21 delegated ... to the agency generally to make rules carrying the force of law.” *United States v. Mead*  
22 *Corp.*, 533 U.S. 218, 226-227 (2001); *see Facebook, Inc. v. Windy City Innovations, LLC*, 973 F.3d  
23 1321, 1349-1350 (Fed. Cir. 2020) (additional views of Prost, C.J., Plager & O’Malley, JJ.). Here, the  
24 *NHK-Fintiv* rule was not duly promulgated through notice-and-comment rulemaking. *Infra* pp. 23-  
25 25. In any event, “after applying traditional tools of interpretation,” there is “no uncertainty” about  
26 the AIA’s meaning for the agency to fill. *SAS Inst.*, 138 S. Ct. at 1358. And even if there were, the  
27 Director’s interpretation would be outside “the bounds of reasonable interpretation.” *City of*  
28 *Arlington*, 569 U.S. at 296.

1 Here, as explained, Congress determined that IPR can proceed even when there is parallel  
2 infringement litigation. The Director may not like the balance Congress struck, but he “may not  
3 rewrite clear statutory terms to suit [his] own sense of how the statute should operate.” *Util. Air*, 573  
4 U.S. at 328; *see also, e.g., SAS Inst.*, 138 S. Ct. at 1355 (“the duty of an administrative agency is to  
5 follow its commands as written, not to supplant those commands with others it may prefer”).<sup>5</sup>

6 The Board also cited § 316(b), *see Fintiv*, Paper 11 at 6, which provides that “[i]n prescribing  
7 regulations under this section, the Director shall consider the effect of any such regulation on the  
8 economy, the integrity of the patent system, the efficient administration of the Office, and the ability  
9 of the Office to timely complete proceedings instituted under this chapter.” § 316(b) (emphasis  
10 added). Section 316(b) does not support the *NHK-Fintiv* rule because that rule was not adopted by  
11 “regulation.” Section 316(b) does not provide free-floating authority for the Director to adopt  
12 standards for declining to institute IPR whenever he perceives a concern for efficiency or any of the  
13 other values recited in § 316(b); it merely instructs the Director to consider those values when  
14 “prescribing regulations under this section,” which did not occur here.

15 Moreover, the relevant regulations “prescrib[ed] ... under” § 316 are regulations “setting forth  
16 the standards for the showing of sufficient grounds to institute a review under section 314(a),”

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17  
18 <sup>5</sup> Under the APA, a court may not provide relief on substantive grounds where the “agency action is  
19 committed to agency discretion by law.” 5 U.S.C. § 701(a)(2). But the Supreme Court has read  
20 § 701(a)(2) “quite narrowly” to apply only in “rare circumstances where the relevant statute is drawn  
21 so that a court would have no meaningful standard against which to judge the agency’s exercise of  
22 discretion.” *Weyerhaeuser Co. v. U.S. Fish & Wildlife Serv.*, 139 S. Ct. 361, 370 (2018). That  
23 stringent test is not met here because the AIA provides a clear standard to apply: The *NHK-Fintiv*  
24 rule contradicts the AIA’s text, structure, and purpose. *Briggs v. Sullivan*, 954 F.2d 534, 537-538  
25 (9th Cir. 1992) (“Because we have statutory standards, case law, and legislative intent indicating  
26 Congress’s desires,” decision whether to investigate was not committed to agency discretion by law.).  
27 *Cuozzo*’s passing citation to § 701(a)(2) did not consider that test and referred only to reviewability  
28 of specific institution decisions. *See* 136 S. Ct. at 2140.



§ 316(a)(2), which addresses whether “there is a reasonable likelihood that the petitioner would prevail”—a subject already covered by separate PTO regulations, *see* 37 C.F.R. § 42.108(c). Even if § 316(a)(2) supported other bases for denying IPR petitions, the Director could not invoke that authority to adopt grounds for denying IPR petitions that contradict or undermine the AIA’s text, structure, and purpose, as the *NHK-Fintiv* rule’s factors do.

## **II. THE NHK-FINTIV RULE IS ARBITRARY AND CAPRICIOUS**

The *NHK-Fintiv* rule should also be set aside as arbitrary and capricious. *See* 5 U.S.C. § 706(2)(A). In adopting the rule, the agency was required to “examine the relevant data and articulate a satisfactory explanation for its action including a rational connection between the facts found and the choice made.” *Motor Vehicle Mfrs. Ass’n of U.S., Inc. v. State Farm Mut. Auto. Ins. Co.*, 463 U.S. 29, 43 (1983) (quotation marks omitted). Agency action is arbitrary and capricious “if the agency relied on irrelevant factors, failed to consider a crucial aspect of the issue before it, offered an explanation that runs counter to the evidence, or is so implausible that it could not be ascribed to a difference in view or the product of agency expertise.” *City of Los Angeles v. U.S. Dep’t of Commerce*, 307 F.3d 859, 874 (9th Cir. 2002) (quotation marks omitted); *see Dep’t of Homeland Sec. v. Regents of Univ. of Cal.*, 140 S. Ct. 1891, 1905, 1912 (2020). The *NHK-Fintiv* rule fails this test. Its factors are speculative and malleable, leading to disparate outcomes on similar facts. They also create incentives that undermine the rule’s supposed efficiency goals and enable infringement plaintiffs to block IPR through strategic forum-shopping.

a. The *NHK-Fintiv* factors require the Board to speculate about the likely course of litigation, which produces irrational outcomes and unpredictable disparities between similar IPR petitions. *See Horsehead Res. Dev. Co. v. Browner*, 16 F.3d 1246, 1269 (D.C. Cir. 1994) (“agency actions based upon speculation are arbitrary and capricious”).

Under the rule, the Board must guess whether a stay “may be granted” if IPR is instituted. *Fintiv*, Paper 11 at 6. Additionally, the Board must guess when trial will begin. Even when a trial has already been scheduled, denying IPR based on that schedule assumes the trial will not be rescheduled—an assumption that frequently proves incorrect. A typical case is *Intel Corp. v. VLSI Technology LLC*, in which Intel sought IPR of a patent asserted against it in an infringement suit in

1 the Western District of Texas. No. IPR2020-00113, 2020 WL 2544912, at \*1 (P.T.A.B. May 19,  
2 2020). That suit had been consolidated with two others for pre-trial purposes, and all three trials were  
3 set for October 5, 2020, a date that would precede the Board’s final written decision. *Id.* at \*4. The  
4 Board acknowledged that the three trials could not actually proceed simultaneously and thus that “at  
5 least two of the trials will not occur on” the scheduled date. *Id.* Nonetheless, the Board concluded  
6 that the trial date weighed against institution and denied the IPR petition, speculating that trial might  
7 still occur before the end of IPR, *id.*—notwithstanding that the potential trial date had already been  
8 postponed to November 16, 2020, *see* Second Amended Agreed Scheduling Order, *VLSI Tech. LLC*  
9 *v. Intel Corp.*, No. 1:19-cv-977, ECF No. 161 (W.D. Tex. May 15, 2020). Subsequently, the Board  
10 denied institution with regard to the patent claims challenged in the third of the three consolidated  
11 *VLSI* cases even though by that point there was no “firm trial date” for the third case; instead, the  
12 Board speculated that “there is no indication that trial will occur *after* October 2021,” which would  
13 have been the Board’s deadline for a final written decision. *Intel Corp. v. VLSI Tech. LLC*, No.  
14 IPR2020-00582, 2020 WL 5846628, at \*3 (P.T.A.B. Oct. 1, 2020) (emphasis added); *see also id.*,  
15 No. IPR2020-00583, 2020 WL 5900072, at \*3 (P.T.A.B. Oct. 5, 2020) (same); Third Amended  
16 Agreed Scheduling Order, *VLSI Tech. LLC v. Intel Corp.*, No. 1:19-cv-977, ECF No. 280 (W.D. Tex.  
17 Oct. 13, 2020) (addressing trial date). Following the Board’s decision, the district court formally  
18 vacated the trial date for the third case. Third Amended Agreed Scheduling Order, *VLSI Tech. LLC*  
19 *v. Intel Corp.*, No. 1:19-cv-977, ECF No. 280 (W.D. Tex. Oct. 13, 2020). Meanwhile, the district  
20 court rescheduled the trial date for the first trial to January 11, 2021. Order Resetting Jury Selection  
21 and Trial, *VLSI Tech. LLC v. Intel Corp.*, No. 1:19-cv-977, ECF No. 320 (W.D. Tex. Oct. 28, 2020).

22 Worse, it is common for the rescheduling to happen *after* the Board has already denied an IPR  
23 petition based on its speculation about when the trial would occur. One study found 70% of trials in  
24 the Western District of Texas and *all* trials in Delaware—the two busiest patent venues—were  
25 postponed *after* the Board denied IPR in reliance on earlier trial dates.<sup>6</sup> If the IPR petitioner is lucky,  
26

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27 <sup>6</sup> McKeown, *District Court Trial Dates Tend To Slip After PTAB Discretionary Denials*, Patents  
28 [Footnote continued on next page]

1 such a postponement will occur soon enough after an institution denial that the petitioner can seek  
2 rehearing before the 30-day deadline expires. *See* 37 C.F.R. § 42.71(d)(2); *see, e.g., Sand Revolution*  
3 *II*, 2020 WL 3273334, at \*4 (on rehearing, reversing previous denial of institution in light of  
4 postponed trial date). Most petitioners, however, will not be so lucky, in which case the *NHK-Fintiv*  
5 rule will have irrevocably deprived the petitioner of any avenue for speedy patent review—neither a  
6 quick trial nor an IPR—and Congress’s goal in enacting the AIA will have been defeated. For  
7 example, in *Fintiv*, trial had not yet been scheduled when Apple filed its IPR petition; a trial date was  
8 later set but then rescheduled amid briefing on the IPR petition. *See Fintiv*, 2020 WL 2486683, at \*5.  
9 Despite this moving target, the Board determined that a trial date only two months before the Board’s  
10 deadline to issue a final written decision disfavored institution of IPR, noting that “[w]e have no  
11 reason to believe that the jointly agreed-upon trial date, which already has been postponed by several  
12 months ... will be postponed again.” *Id.* But five months after the Board denied the petition, the  
13 district court rescheduled the trial again, this time until *after* the deadline the Board would have had  
14 for issuing a final written decision had it instituted IPR. Similarly, in *Uniloc 2017*, the Board denied  
15 Google’s IPR petition based on a trial date that was subsequently vacated after the time for seeking  
16 rehearing of the denial had expired. *See* 2020 WL 3064460, at \*6. And thus far, the Federal Circuit  
17 has dismissed every appeal of a *Fintiv*-based non-institution decision, leaving no avenue for judicial  
18 review. *See, e.g., Cisco Systems Inc. v. Ramot at Tel Aviv University Ltd.*, Nos. 2020-2047, -2049,  
19 2020 WL 6373016 (Fed. Cir. Oct. 30, 2020) (nonprecedential).

20       b.       The *NHK-Fintiv* rule also creates perverse incentives that undermine efficiency—the  
21 PTO’s ostensible goal in adopting the rule—and Congress’s purpose in providing for IPR. The *NHK-*  
22 *Fintiv* rule pressures infringement defendants to race to file their IPR petitions quickly after being  
23 served in an infringement suit. If a petitioner waits too long to seek IPR, trial might have been  
24 scheduled by the time the Board considers the IPR petition, and if the proposed trial date falls before  
25 the deadline for a final written decision, the Board will likely deny the petition under the *NHK-Fintiv*

26 \_\_\_\_\_  
27 Post-Grant (July 24, 2020), [https://www.patentspostgrant.com/district-court-trial-dates-tend-to-slip-](https://www.patentspostgrant.com/district-court-trial-dates-tend-to-slip-after-ptab-discretionary-denials/)  
28 [after-ptab-discretionary-denials/](https://www.patentspostgrant.com/district-court-trial-dates-tend-to-slip-after-ptab-discretionary-denials/).

rule’s second factor. *Fintiv*, Paper 11 at 11. This pressure not only undermines § 315(b)’s carefully calibrated one-year period, but also leads defendants to file their IPR petitions before the issues in litigation have crystallized. Such petitions are often overinclusive because the petitioner lacked a reasonable opportunity to assess the asserted patent claims and focus the petition. Incentivizing premature IPR petitions thus causes the Board and parties to expend resources unnecessarily, contravening the Director’s purported efficiency goals. *See Ramot*, 2020 WL 2511246, at \*10 (Crumbley, A.P.J., dissenting); *Petrella*, 572 U.S. at 682-683 (“If the rule were ... ‘sue soon, or forever hold your peace,’ copyright owners would have to mount a federal case fast .... [The] limitations period ... avoids such litigation profusion [and] allows a copyright owner to defer suit until she can estimate whether litigation is worth the candle.”).<sup>7</sup>

The *NHK-Fintiv* rule also incentivizes infringement plaintiffs to exploit the vagaries of trial dates to foreclose IPR. Some jurisdictions tend to quickly set early trial dates that later change. For example, as noted, the Western District of Texas set three trials for the same day in the *VLSI* cases—a practical impossibility yet a common practice in some courts. *See supra* pp. 18-19. The plaintiffs’ bar is not ignorant of these jurisdictions’ tendencies to quickly set trial dates in infringement suits that turn out to be unrealistic. The *NHK-Fintiv* rule invites those plaintiffs to shop for such a forum to obtain an early (albeit notional) trial date, which they can then cite to persuade the Board to deny institution of IPR under the *NHK-Fintiv* rule. At best, the rule thus allows infringement plaintiffs to increase pressure on defendants to file premature IPR petitions, and at worst it allows infringement plaintiffs to block IPR entirely, defeating Congress’s intent and disserving the patent system.

c. The *NHK-Fintiv* factors are also so vague and malleable that they yield inconsistent outcomes. “[T]reat[ing] similar situations differently without reasoned explanation” is a hallmark of arbitrary and capricious agency action. *Port of Seattle v. FERC*, 499 F.3d 1016, 1034 (9th Cir. 2007) (quotation marks omitted).

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<sup>7</sup> Nor is early filing always effective in securing institution, as the petitioner in *Philip Morris*, 2020 WL 6750120, learned when the Board denied institution even though the petitioner had filed its petition less than one month after being served in the parallel litigation. *See supra* p. 9.

1 In applying the rule, the Board often treats like circumstances differently. For example, in  
2 *Ethicon, Inc. v. Board of Regents, University of Texas System*, where trial had been continued  
3 indefinitely, the Board said that the lack of a trial date weighed “strongly in favor of discretionary  
4 denial.” No. IPR2019-00406, 2020 WL 3088846, at \*4 (P.T.A.B. June 10, 2020). Yet in *Google*  
5 *LLC v. Uniloc 2017 LLC*, the Board took the opposite position: “The fact that no trial date has been  
6 set weighs significantly against exercising our discretion to deny institution of the proceeding.” No.  
7 IPR2020-00441, 2020 WL 4037963, at \*14 (P.T.A.B. July 17, 2020). Similarly, in *Fitbit, Inc. v.*  
8 *Philips North America LLC*, No. IPR2020-00828, 2020 WL 6470312, at \*4 (P.T.A.B. Nov. 3, 2020),  
9 the Board treated the impendency of trial in related litigation as favoring denial of the IPR petition  
10 even though the IPR petitioner was *not* a party to the related case; but in *Dolby Laboratories, Inc. v.*  
11 *Intertrust Technologies Corp.*, that circumstance cut the other way, as the Board instituted IPR  
12 despite an imminent related trial date in part because the IPR petitioner was not a party to the related  
13 case, No. IPR2020-00660, 2020 WL 6106620, at \*5 (P.T.A.B. Oct. 15, 2020).

14 The Board has even reached inconsistent decisions where the overall array of factors appeared  
15 to be the same. For example, in *Philip Morris Products, S.A. v. RAI Strategic Holdings, Inc.*, the  
16 Board *denied* the IPR petition because the expected trial date—which had not actually been  
17 scheduled—would precede the final written decision by eight or nine months, even though the  
18 petitioner filed its petition less than *one month* after the complaint was filed, the district court had not  
19 issued any substantive orders in the case, the petitioner stipulated not to pursue any overlapping  
20 issues in the lawsuit if IPR was instituted, and the Board found a “strong showing” on the merits.  
21 No. IPR2020-00921, 2020 WL 6750120 (P.T.A.B. Nov. 16, 2020). This (patently unreasonable)  
22 decision contradicts the Board’s earlier decision *granting* the IPR petition in *Apple Inc. v. Maxell,*  
23 *Ltd.*, where the expected trial date would precede the final written decision by nine months, the  
24 petitioner promptly filed its petition, the petitioner stipulated it would not pursue overlapping issues  
25 in the lawsuit, the Board found a strong showing on the merits, and there had been substantial  
26 progress in the lawsuit. No. IPR2020-00204, 2020 WL 3401274, at \*6 (P.T.A.B. June 19, 2020).

27 d. In the face of these arbitrary features and consequences of the rule, the Director has  
28 failed to “articulate ... a rational connection between the facts found and the choice made” or offer

1 any reasoned basis for the *NHK-Fintiv* rule. *Motor Vehicle Mfrs. Ass’n*, 463 U.S. at 43 (quotation  
2 marks omitted). In particular, the Board failed entirely to address the uncertainties, inefficiencies,  
3 and perverse incentives associated with the rule. *See Fintiv*, Paper 11 at 9; *NHK*, Paper 8 at 19-20.

4 The Board attempted to justify the rule as a way to avoid “duplicative costs” by denying IPR  
5 when courts and parties have invested substantially in litigation. *Fintiv*, Paper 11 at 9-10. As an  
6 initial matter, that rationale ignores that IPR fees are designed to cover the Board’s costs. *See* 85 Fed.  
7 Reg. 46,932, 46,932, 46,945-46,946 (Aug. 3, 2020) (revising fees to “provide the Office with a  
8 sufficient amount of aggregate revenue to recover the aggregate cost of patent operations in future  
9 years”); 37 C.F.R. § 42.15(a)(2). The Board’s own costs are therefore irrelevant.

10 In any event, the Board’s cost analysis makes no sense. Any inefficiency that might result  
11 from overlap between litigation and IPR is far better addressed by stays of litigation, requests for  
12 which courts generally “oblige[.]” *Thryv*, 140 S. Ct. at 1379 (Gorsuch, J., dissenting); *see, e.g., Bell*  
13 *N. Research, LLC v. Coolpad Techs., Inc.*, No. 3:18-cv-1783, ECF No. 148 (S.D. Cal. Feb. 18, 2020)  
14 (staying litigation after Board instituted IPR). Moreover, by focusing on the investment already  
15 made in the litigation, the Board’s explanation rests on the logical fallacy of sunk costs: “the  
16 equivalent of throwing good money after bad, both for the court and for the parties.” *Stryker Spine v.*  
17 *Spine Grp. of Wisc., LLC*, 320 F. Supp. 3d 985, 991 (E.D. Wis. 2018) (cautioning against “the ‘sunk  
18 cost fallacy’—‘a greater tendency to continue an endeavor once an investment in money, effort, or  
19 time has been made’”). To the extent that promoting efficiency is relevant to institution decisions at  
20 all, the analysis should instead compare the *future* investment needed to complete the lawsuit to the  
21 *future* investment needed to conduct IPR—a comparison that will usually favor IPR.

### 22 **III. THE *NHK-FINTIV* RULE IS INVALID BECAUSE THE DIRECTOR ADOPTED IT WITHOUT** 23 **NOTICE AND COMMENT**

24 Independent of its substantive invalidity, the *NHK-Fintiv* rule should be set aside because it  
25 was adopted “without observance of procedure required by law.” 5 U.S.C. § 706(2)(D). Even if the  
26 Director had authority to adopt the *NHK-Fintiv* rule, he could do so only by following the procedures  
27 for notice-and-comment rulemaking. Adopting a binding rule through the PTO’s process for  
28 designating Board decisions as precedential was unlawful.

1 Under both the APA and the AIA, the Director may adopt substantive rules only by  
2 promulgating regulations through notice-and-comment rulemaking. The APA “mandates that an  
3 agency use notice-and-comment procedures before issuing legislative rules.” *Kisor v. Wilkie*, 139 S.  
4 Ct. 2400, 2420 (2019) (citing 5 U.S.C. § 553(b), (c)). The AIA likewise permits the Director to adopt  
5 rules only by prescribing “regulations,” §§ 2(b)(2), 316(a)—*i.e.*, “rules” issued “pursuant to the  
6 notice-and-comment requirements of [the] APA,” *U.S. Telecom Ass’n v. FCC*, 400 F.3d 29, 38, 40  
7 (D.C. Cir. 2005); *see also* § 2(b)(2)(B) (requiring use of APA’s notice-and-comment procedures).

8 Those requirements apply here because *NHK-Fintiv* establishes a substantive, or “legislative,”  
9 rule, not merely a general statement of policy or procedure. The *NHK-Fintiv* rule is “an agency  
10 statement of general or particular applicability and future effect.” 5 U.S.C. § 551(4) (defining  
11 “rule”). Unlike a general statement of policy, the *NHK-Fintiv* rule leaves the Board no “discretion to  
12 follow, or not to follow” it in a particular case. *Mada-Luna v. Fitzpatrick*, 813 F.2d 1006, 1013 (9th  
13 Cir. 1987). Rather, by designating *NHK* and *Fintiv* “precedential,” the Director made those  
14 decisions’ standards “binding” on the Board “in subsequent matters involving similar facts or issues,”  
15 SOP-2 at 11, thereby establishing a rule, *see Mada-Luna*, 813 F.2d at 1013. Further, the *NHK-Fintiv*  
16 rule is legislative—not procedural—because the rule “alter[s] the rights or interests of parties” by  
17 defining circumstances under which IPR may be denied. *JEM Broad. Co. v. FCC*, 22 F.3d 320, 326  
18 (D.C. Cir. 1994); *see United States v. Alameda Gateway Ltd.*, 213 F.3d 1161, 1168 (9th Cir. 2000).  
19 Indeed, *Fintiv* relied on § 316’s considerations for rulemaking, despite the Director’s failure to act  
20 through rulemaking. *Fintiv*, Paper 11 at 6.

21 Adopting the *NHK-Fintiv* rule through the “precedential” designation process violated the  
22 AIA’s and APA’s notice-and-comment requirements. The designation of *NHK* and *Fintiv* as  
23 precedential was entirely internal, involving (at most) only the recommendations of entities within  
24 the PTO. *Supra* p. 7. There was no opportunity for public comment and no consideration by the  
25 Director of any public input. *Aqua Prods., Inc. v. Matal*, 872 F.3d 1290, 1331-1332 (Fed. Cir. 2017)  
26 (Moore, J., concurring) (“precedential Board decisions are not subject to notice and comment”). Had  
27 interested parties been permitted to comment, they could have identified the rule’s many defects, and  
28 the Director would have had to alter the rule to address those defects or else provide a reasoned

1 explanation for refusing to do so. Instead, the Director acted unilaterally and without warning.

2       The rule cannot be defended as one adopted through adjudication because it was not adopted  
3 as binding through adjudication. That occurred only through the Director’s decision to designate  
4 *NHK* and *Fintiv* as precedential, without input from the parties to any adjudication. Moreover,  
5 adjudication can be a “permissible mode of law-making and policymaking” “only” where agencies  
6 are “unitary”—*i.e.*, where “rulemaking, enforcement, and adjudicative powers are combined in a  
7 single administrative authority.” *Martin v. Occupational Safety & Health Review Comm’n*, 499 U.S.  
8 144, 151, 154 (1991). Where Congress has “split” rulemaking and adjudicative powers between “two  
9 different administrative authorities” within an agency, courts “cannot infer that Congress expected the  
10 [adjudicative body] to use *its* adjudicatory power to play a policymaking role.” *Id.*; *cf. NLRB v. Bell*  
11 *Aerospace Co. Div. of Textron, Inc.*, 416 U.S. 267, 294 (1974) (agency could adopt rules through  
12 adjudication because it “had both adjudicative and rule-making powers”).

13       The PTO is a split agency that lacks authority to adopt rules through adjudication. Congress  
14 “divided the delegation of rulemaking and adjudicatory powers between the Director and the Board.”  
15 *Facebook*, 973 F.3d at 1351 (additional views of Prost, C.J., Plager & O’Malley, JJ.). To the Board,  
16 Congress delegated only power to conduct IPRs. § 316(c). That “is not a delegation of authority to  
17 issue adjudicative decisions interpreting” the AIA, let alone to issue regulations. *Id.* at 1350. In  
18 contrast, Congress gave the Director power to make rules by issuing regulations, *see* §§ 2, 316(a), but  
19 no adjudicative power. *Facebook*, 973 F.3d at 1349-1350. And even if Congress had authorized the  
20 Director to make rules by adjudication, he has not delegated that power to the Board. 37 C.F.R.  
21 §§ 42.4(a), 42.108 (delegating power to institute IPR, but not to make rules).

22       The Director thus failed to “observ[e] [the] procedure required by law” in adopting the *NHK-*  
23 *Fintiv* rule, and it must be set aside. 5 U.S.C. § 706(2)(D).

## 24 CONCLUSION

25       For the foregoing reasons, the Court should grant plaintiffs’ Motion for Summary Judgment,  
26 declare the *NHK-Fintiv* rule unlawful, set it aside under the APA, and enjoin the Director (and the  
27 Board as his delegate) from relying on the rule or its non-statutory factors to deny institution of IPR.  
28



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Respectfully submitted,

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Corporation and Edwards Lifesciences LLC*

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